

# State Lottery

Analyst: Smith

## Historical Summary

<b>OPERATING BUDGET</b>	<b>FY 2019 Total App</b>	<b>FY 2019 Actual</b>	<b>FY 2020 Approp</b>	<b>FY 2021 Request</b>	<b>FY 2021 Gov Rec</b>
<b>BY FUND CATEGORY</b>					
Dedicated	6,057,700	5,133,400	6,159,100	6,380,400	6,297,900
Percent Change:		(15.3%)	20.0%	3.6%	2.3%
<b>BY OBJECT OF EXPENDITURE</b>					
Personnel Costs	3,361,200	3,259,100	3,458,100	3,598,400	3,515,200
Operating Expenditures	2,602,500	1,781,200	2,579,500	2,653,400	2,654,100
Capital Outlay	94,000	93,100	121,500	128,600	128,600
<b>Total:</b>	<b>6,057,700</b>	<b>5,133,400</b>	<b>6,159,100</b>	<b>6,380,400</b>	<b>6,297,900</b>
Full-Time Positions (FTP)	45.00	45.00	45.00	45.00	45.00

## Division Description

Voters approved the creation of a state lottery in November 1988, and the Idaho Lottery was established in 1989. The mission of the Idaho Lottery is to maximize net income and the resulting annual dividend payment for Idaho public buildings and schools. The Idaho Lottery's net income has therefore historically been split equally between the Permanent Building Fund and the School District Building Fund.

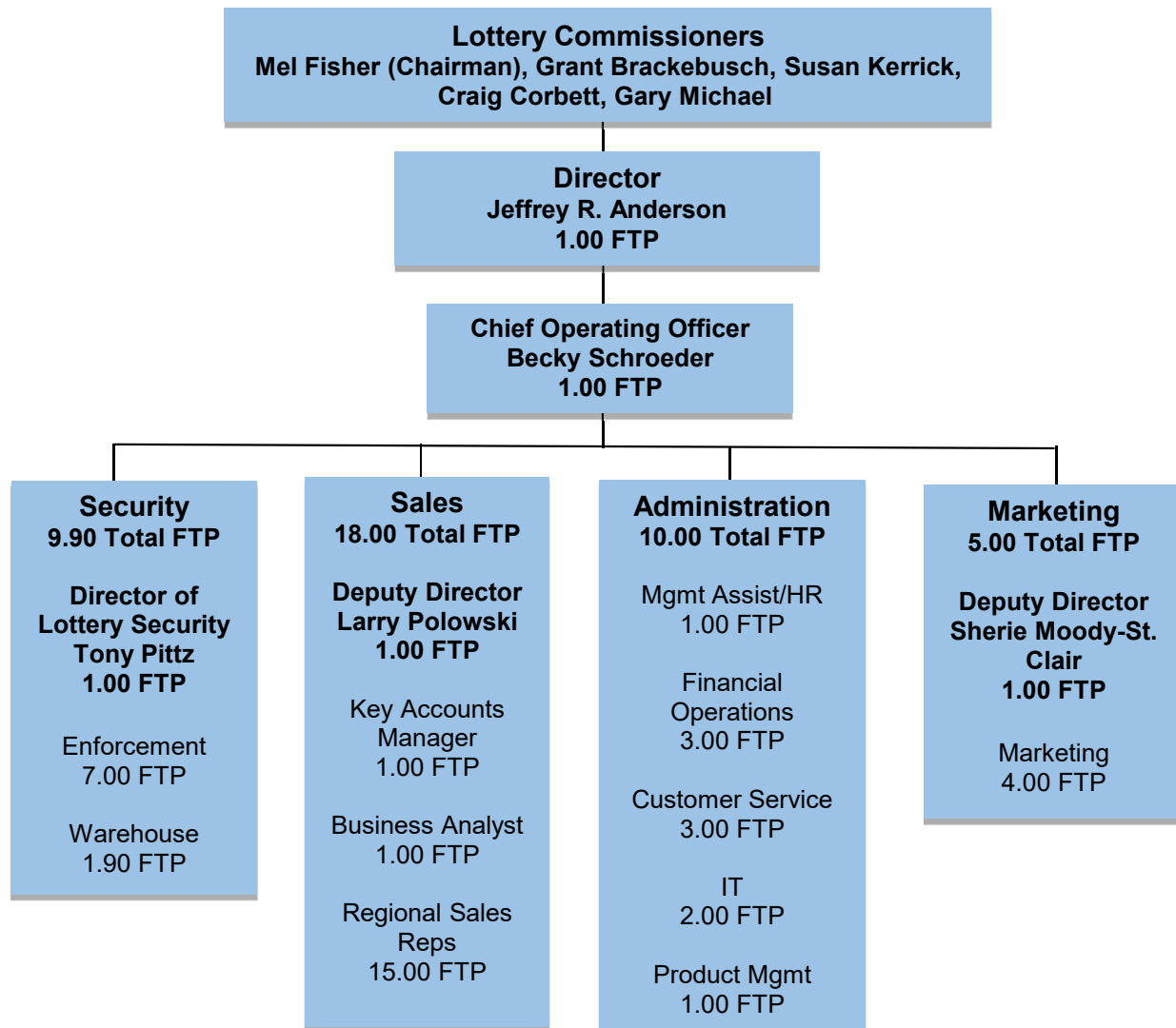
In 2009, H275 provided that beginning on July 1, 2009, so long as transfers to the Permanent Building Fund and the School District Building Fund reach FY 2008 levels or \$17,000,000 for each fund, transfers of net income to the Permanent Building Fund and School District Building Fund shall decrease to three-eighths each, and the remaining one-fourth of net lottery income shall transfer to the Bond Levy Equalization Fund. The legislation was originally set to expire September 30, 2014, but H478 of 2014 extended the sunset date to July 1, 2019, and S1206 of 2017 made the distribution permanent.

Since its inception in 1989, the lottery has distributed over \$906 million in dividends to the state. The Idaho Lottery Commission is a five-member board appointed by the Governor. Appointees serve five-year terms. The commission adopts rules for the agency, approves contracts, and monitors Idaho Lottery operations.

Statutory authority: Chapter 74, Title 67, Idaho Code.

# State Lottery Organizational Chart

Analyst: Smith



**Total Authorized FTP: 45.00**  
**Vacant FTP: 1.00**  
(as of 12/1/2019)

**Performance Report can be found at:**  
<https://dfm.idaho.gov/Publications/BB/perfreport/>

## Part II – Performance Measures

*Idaho Code* §67-7401 mandates the Idaho Lottery Director to operate the Lottery at the least public expense and the smallest staffing possible. Additionally, *Idaho Code* §67-7403 directs that the Lottery be operated to produce the maximum amount of net income to benefit the public purposes described in the chapter, consonant with the public good. As it relates to Peer Benchmark Performance Measures, the Director and the Lottery Management Team endeavor to be in the top quintile among their peer states in the areas of **Sales per Capita**, **Dividends as a Percentage of Sales**, and **Dividend Increase Percentage** and among the lowest quintile for **Administrative Costs as a Percentage of Sales**.

Performance Measure		FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Responsibly increase net revenues						
1. Total Revenue	actual	\$236,819,400	\$240,686,600	\$265,810,900	\$288,616,000	-----
	target	\$216,300,000	\$226,650,000	\$253,300,000	\$271,000,000	\$294,600,000
2. Net Operating Income	actual	\$51,699,100	\$48,372,500	\$54,050,000	\$60,045,700	-----
	target	\$46,000,000	\$48,000,000	\$50,500,000	\$54,500,000	\$60,500,000
Rigorously manage costs						
3. Total Operating Expenses	actual	\$185,115,300	\$192,314,100	\$211,760,900	\$228,570,300	-----
	target	\$170,300,000	\$178,650,000	\$202,800,000	\$216,500,000	\$234,100,000

Peer Benchmark Performance Measures		FY2016		FY2017		FY2018**		FY2019	
		Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho	Peer Group*	Idaho
1. Sales per capita	actual	\$143.13	\$140.26	\$137.62	\$139.74	\$147.97	\$151.11		\$160.83
	target		\$128.51		\$131.51		\$149.55		151.38
2. Admin costs as a percentage of sales	actual	6.7%	5.8%	6.9%	6.0%	6.9%	6.2%		6.0%
	target		6.1%		6.2%		6.3%		6.2%
3. Dividends as a percentage of sales	actual	23.8%	21.0%	23.6%	20.2%	23.5%	20.2%		20.8%
	target		21.3%		21.4%		20.0%		20.1%
4. Dividend increase percentage	actual	11.1%	10.0%	-3.4%	-2.0%	7.2%	10.3%		12.2%
	target		2.9%		-4.4%		3.3%		1.9%

### Performance Measure Explanatory Notes

\*Peer Group includes states with marketplace and product portfolio similarity, not size of population or sales. This Peer Group includes: Arkansas, Iowa, Kansas, Maine, Minnesota, Nebraska, New Mexico, Tennessee and Vermont.

\*\*This is a “previous year” looking Performance Measurement, as statistics for each state are not available at the time this document is published.

# Lottery, State

Analyst: Smith

## FY 2019 Actual Expenditures by Division

			FTP	PC	OE	CO	T/B	LS	Total
<b>0.30</b>	<b>FY 2019 Original Appropriation</b>								
0419-00	Ded		45.00	3,361,200	2,602,500	94,000	0	0	6,057,700
<b>Totals:</b>			45.00	3,361,200	2,602,500	94,000	0	0	6,057,700
<b>1.00</b>	<b>FY 2019 Total Appropriation</b>								
0419-00	Ded		45.00	3,361,200	2,602,500	94,000	0	0	6,057,700
<b>Totals:</b>			45.00	3,361,200	2,602,500	94,000	0	0	6,057,700
<b>1.61</b>	<b>Reverted Appropriation</b>								
0419-00	Ded		0.00	(102,100)	(821,300)	(900)	0	0	(924,300)
<b>Totals:</b>			0.00	(102,100)	(821,300)	(900)	0	0	(924,300)
<b>2.00</b>	<b>FY 2019 Actual Expenditures</b>								
0419-00	Ded		45.00	3,259,100	1,781,200	93,100	0	0	5,133,400
	State Lottery			3,259,100	1,781,200	93,100	0	0	5,133,400
<b>Totals:</b>			45.00	3,259,100	1,781,200	93,100	0	0	5,133,400
<b>Difference: Actual Expenditures minus Total Appropriation</b>									
0419-00	Ded			(102,100)	(821,300)	(900)	0	0	(924,300)
	State Lottery			(3.0%)	(31.6%)	(1.0%)	N/A	N/A	(15.3%)
<b>Difference From Total Approp</b>				<b>(102,100)</b>	<b>(821,300)</b>	<b>(900)</b>	<b>0</b>	<b>0</b>	<b>(924,300)</b>
<b>Percent Diff From Total Approp</b>				<b>(3.0%)</b>	<b>(31.6%)</b>	<b>(1.0%)</b>	<b>N/A</b>	<b>N/A</b>	<b>(15.3%)</b>

# State Lottery Agency Profile

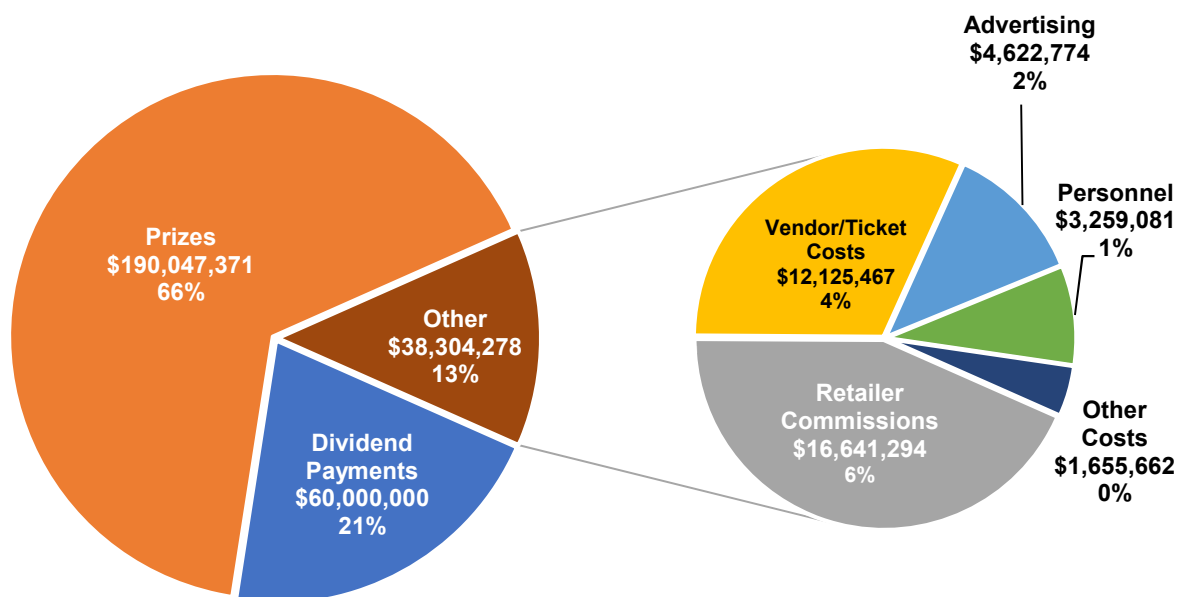
Analyst: Smith

## LOTTERY REVENUE DISTRIBUTION

### Statutory Requirements for Expenditures:

1. Prize payout shall be no less than 45% of lottery revenues (Section 67-7433, Idaho Code).
2. Administrative costs shall not exceed 15% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code).
3. Advertising and promotional costs shall not exceed 3.5% of lottery revenue during any fiscal year (Section 67-7449, Idaho Code).

## FY 2019 REVENUE COLLECTIONS: \$288,351,649



EXPENDITURES	FY 2017	FY 2018	FY 2019
Dividend Payments	\$48,500,000	\$53,500,000	\$60,000,000
Prizes	\$160,304,895	\$176,187,739	\$190,047,371
Retailer Commissions	\$14,063,068	\$15,607,357	\$16,641,294
Vendor/Ticket Costs	\$9,796,518	\$11,160,551	\$12,125,467
Advertising	\$3,431,517	\$3,779,829	\$4,622,774
Personnel	\$3,059,156	\$3,185,682	\$3,259,081
Other Costs	\$1,658,980	\$1,994,918	\$1,655,662
<b>Total</b>	<b>\$240,814,134</b>	<b>\$265,416,076</b>	<b>\$288,351,649</b>

# State Lottery Agency Profile

Analyst: Smith

## DIVIDEND PAYMENTS

### Statutory Requirements Section 67-7434, Idaho Code:

1. Lottery dividends shall be split three ways.
  - a. Three-eighths (3/8) shall be transferred to the Permanent Building Fund.
  - b. Three-eighths (3/8) shall be transferred to the School District Building Fund.
  - c. One-fourth (1/4) shall be transferred to the Bond Levy Equalization Fund.
2. The lottery shall ensure that distributions made to the Permanent Building Fund and the School District Building Fund shall not be less than the amount those accounts received for FY 2008 (\$17,000,000 each)
  - a. If total dividends are less than 2008 levels, then the dividend shall be split 50-50 between the permanent building fund and school district building fund.
3. If a full one-fourth (1/4) of the dividend cannot be distributed, the difference shall be deducted from the portion going to bond levy equalization.

*Due to timing, revenues are distributed in the fiscal year following the year in which they are collected.*

Fiscal Year Distributed	Permanent Building Fund	School District Building Fund	Bond Levy Equalization*	Total Dividend Payment
2007	\$16,500,000	\$16,500,000		\$33,000,000
2008	\$17,000,000	\$17,000,000		\$34,000,000
2009	\$17,000,000	\$17,000,000	\$750,000	\$34,750,000
2010	\$17,000,000	\$17,000,000	\$1,000,000	\$35,000,000
2011	\$17,000,000	\$17,000,000	\$2,500,000	\$36,500,000
2012	\$17,000,000	\$17,000,000	\$3,000,000	\$37,000,000
2013	\$17,000,000	\$17,000,000	\$7,500,000	\$41,500,000
2014	\$18,075,000	\$18,075,000	\$12,050,000	\$48,200,000
2015	\$18,375,000	\$18,375,000	\$12,250,000	\$49,000,000
2016	\$17,000,000	\$17,000,000	\$11,000,000	\$45,000,000
2017	\$18,562,500	\$18,562,500	\$12,375,000	\$49,500,000
2018	\$18,187,500	\$18,187,500	\$12,125,000	\$48,500,000
2019	\$20,062,500	\$20,062,500	\$13,375,000	\$53,500,000
2020	\$22,500,000	\$22,500,000	\$15,000,000	\$60,000,000
2021**	\$22,875,000	\$22,875,000	\$15,250,000	\$61,000,000

*\*Distributions to the School District Building Fund and Bond Levy Equal Fund are not equal to amounts appropriated in the Public Schools budget because distributions are calculated the following fiscal year.*

*\*\*Amount shown is a forecast based on historical growth in Lottery dividend payments.*

# State Lottery

## Comparative Summary

Analyst: Smith

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
<b>FY 2020 Original Appropriation</b>	<b>45.00</b>	<b>0</b>	<b>6,159,100</b>	<b>45.00</b>	<b>0</b>	<b>6,159,100</b>
Sick Leave Rate Reduction	0.00	0	0	0.00	0	(7,800)
<b>FY 2020 Total Appropriation</b>	<b>45.00</b>	<b>0</b>	<b>6,159,100</b>	<b>45.00</b>	<b>0</b>	<b>6,151,300</b>
Removal of Onetime Expenditures	0.00	0	(72,400)	0.00	0	(72,400)
Restore Ongoing Rescissions	0.00	0	0	0.00	0	7,800
<b>FY 2021 Base</b>	<b>45.00</b>	<b>0</b>	<b>6,086,700</b>	<b>45.00</b>	<b>0</b>	<b>6,086,700</b>
Benefit Costs	0.00	0	93,500	0.00	0	(18,100)
Replacement Items	0.00	0	75,200	0.00	0	75,200
Statewide Cost Allocation	0.00	0	2,500	0.00	0	2,500
Change in Employee Compensation	0.00	0	29,400	0.00	0	57,800
<b>FY 2021 Program Maintenance</b>	<b>45.00</b>	<b>0</b>	<b>6,287,300</b>	<b>45.00</b>	<b>0</b>	<b>6,204,100</b>
1. Two Staff Salary Increases	0.00	0	17,400	0.00	0	17,400
2. Increased Shipping and Equipment Costs	0.00	0	75,700	0.00	0	75,700
OITS 1 - Operating Costs	0.00	0	0	0.00	0	700
<b>FY 2021 Total</b>	<b>45.00</b>	<b>0</b>	<b>6,380,400</b>	<b>45.00</b>	<b>0</b>	<b>6,297,900</b>
Change from Original Appropriation	0.00	0	221,300	0.00	0	138,800
% Change from Original Appropriation			3.6%			2.3%

# State Lottery

Analyst: Smith

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>FY 2020 Original Appropriation</b>					
The Legislature funded one line item for FY 2020: \$4,300 for technology consolidation and modernization.					
	45.00	0	6,159,100	0	6,159,100
<b>Sick Leave Rate Reduction</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends a six-month reduction of funding for employers who contribute to the PERSI-managed sick leave plan. This reduction will begin to draw down the reserve balance, which has grown significantly during the past several years.</i>					
Governor's Recommendation	0.00	0	(7,800)	0	(7,800)
<b>FY 2020 Total Appropriation</b>					
Agency Request	45.00	0	6,159,100	0	6,159,100
Governor's Recommendation	45.00	0	6,151,300	0	6,151,300
<b>Removal of Onetime Expenditures</b>					
This action removes onetime amounts appropriated in FY 2020 before calculating the FY 2021 Base. Amounts removed include \$68,100 for replacement items and \$4,300 for technology consolidation and modernization.					
Agency Request	0.00	0	(72,400)	0	(72,400)
Governor's Recommendation	0.00	0	(72,400)	0	(72,400)
<b>Restore Ongoing Rescissions</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends restoration of the sick leave rate reduction.</i>					
Governor's Recommendation	0.00	0	7,800	0	7,800
<b>FY 2021 Base</b>					
Agency Request	45.00	0	6,086,700	0	6,086,700
Governor's Recommendation	45.00	0	6,086,700	0	6,086,700
<b>Benefit Costs</b>					
Employer-paid benefit changes include an 18.9% increase (or \$2,200 per eligible FTP) for health insurance, bringing the total appropriation to \$13,850 per FTP. Also included are a one-year elimination of the unemployment insurance rate, a restoration of the Division of Human Resources rate, and adjustments to workers' compensation that vary by agency.					
Agency Request	0.00	0	93,500	0	93,500
<i>The Governor recommends no increase for health insurance due to fewer claims than expected and changes to federal tax policies; a one-year elimination of the sick leave rate and the unemployment insurance rate; restoration of the Division of Human Resources rate; and adjustments for workers' compensation rates.</i>					
Governor's Recommendation	0.00	0	(18,100)	0	(18,100)
<b>Replacement Items</b>					
The agency requests \$75,200 in onetime capital outlay from the State Lottery Fund to replace computers, servers, and IT equipment.					
Agency Request	0.00	0	75,200	0	75,200
Governor's Recommendation	0.00	0	75,200	0	75,200
<b>Statewide Cost Allocation</b>					
This request includes adjustments to recover the cost of services provided by other agencies in accordance with federal and state guidelines on cost allocation. Attorney General fees will decrease by \$900, risk management costs will decrease by \$100, State Controller fees will increase by \$3,700, and State Treasurer fees will decrease by \$200, for a net increase of \$2,500.					
Agency Request	0.00	0	2,500	0	2,500
Governor's Recommendation	0.00	0	2,500	0	2,500



# State Lottery

Analyst: Smith

Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
<b>Change in Employee Compensation</b>					
For calculation purposes, agencies were directed to include the cost of a 1% salary increase for permanent and temporary employees.					
Agency Request	0.00	0	29,400	0	29,400
<i>The Governor recommends a 2% increase in employee compensation, distributed on merit. He does not recommend a compensation increase for group and temporary positions.</i>					
Governor's Recommendation	0.00	0	57,800	0	57,800
<b>FY 2021 Program Maintenance</b>					
Agency Request	45.00	0	6,287,300	0	6,287,300
Governor's Recommendation	45.00	0	6,204,100	0	6,204,100
<b>1. Two Staff Salary Increases</b>					
The agency requests \$17,400 in ongoing personnel costs from the State Lottery Fund to implement two salary increases. The first is for an information security officer position that is currently vacant. The previous employee that served in the position had accepted a lower wage in order to not impede a federal military retirement. However, the agency states it cannot recruit a qualified candidate at the same rate and is requesting an additional \$14,100 (\$11,600 in salary and \$2,500 in benefits) in order to offer a salary rate commensurate with the necessary experience for the role. The position is non-classified but is equivalent to an IT information security engineer II, pay grade M. The prior employee's salary rate was below the minimum for pay grade M and this increase would bring the salary rate to 81% of policy for pay grade M. This represents a 25% increase for this position. The second increase is for an existing sales manager who has taken on supervisory and management duties within the agency that merit additional compensation. The agency requests \$3,300 (\$2,700 in salary and \$600 in benefits) for the position, which represents a 5% increase.					
Agency Request	0.00	0	17,400	0	17,400
Governor's Recommendation	0.00	0	17,400	0	17,400
<b>2. Increased Shipping and Equipment Costs</b>					
The agency requests \$75,700 in ongoing operating expenditures from the State Lottery Fund for an increased volume of shipping and for secure scratch ticket dispensers for retailers. The agency is experiencing increased sales in scratch tickets, which are shipped to retailers, causing an increase in costs for shipping and equipment for retailers. Dispensers are provided by the State Lottery for retailers in order to provide secure inventory control.					
Agency Request	0.00	0	75,700	0	75,700
Governor's Recommendation	0.00	0	75,700	0	75,700
<b>OITS 1 - Operating Costs</b>					
Agency Request	0.00	0	0	0	0
<i>The Governor recommends this agency's share of ongoing funding to pay the Office of Information Technology Services for security software and data center office space located at the Chinden Campus.</i>					
Governor's Recommendation	0.00	0	700	0	700
<b>FY 2021 Total</b>					
Agency Request	45.00	0	6,380,400	0	6,380,400
Governor's Recommendation	45.00	0	6,297,900	0	6,297,900
Agency Request					
Change from Original App	0.00	0	221,300	0	221,300
% Change from Original App	0.0%		3.6%		3.6%
Governor's Recommendation					
Change from Original App	0.00	0	138,800	0	138,800
% Change from Original App	0.0%		2.3%		2.3%